



**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**

(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements and Required Supplementary Information

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

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KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

The Board of Trustees
Massachusetts Water Pollution Abatement Trust:

We have audited the accompanying financial statements of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 30, 2005, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

November 30, 2005

**MASSACHUSETTS WATER
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Required Supplementary Information
Management's Discussion and Analysis

Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and activities of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, for the fiscal years ended June 30, 2005 and 2004. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Financial Highlights – Fiscal 2005

- Assets exceed liabilities by \$1.4 billion, a 7.2% increase over FY04, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$2.3 billion in FY04 to \$2.5 billion and debt, which increased from \$2.3 billion to \$2.6 billion in FY05.
- Net assets increased by \$96.1 million from last year, an increase of 7.2%.
- Operating loss decreased by \$12 million from FY04, resulting in operating income of \$853,000 in FY05.
- The statement of cash flows indicates an increase in cash for the year of \$16.2 million.
- In FY05, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received \$45.4 million from the Clean Water Program and received \$29.7 million in the State Drinking Water Program. The Commonwealth provided a match of \$30.2 million for these federally funded programs. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.
- The Trust continues to maintain its ratings from all three major rating agencies on our bonds, allowing the Trust to continue to provide funds to communities at the lowest cost possible. The Trust's current ratings are:

<u>Ratings on Trust debt</u>	<u>Fitch IBCA</u>	<u>Moody's Investor's Service, Inc.</u>	<u>Standard & Poor's</u>
Pooled Loan Program	AAA	Aaa	AAA
MWRA Loan Program	AAA	Aaa	AAA
New Bedford Loan Program	AAA	Aaa (insured) Aa3 (underlying)	AAA
South Essex Sewerage District Loan Program	AAA	Aaa	AAA

Financial Highlights – Fiscal 2004

- Assets exceed liabilities by \$1.3 billion, a 2.6% increase over FY03, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$2.1 billion to \$2.3 billion in FY04 and debt, which increased from \$2.1 billion to \$2.3 billion in FY03 and FY04, respectively.
- Net assets increased by \$34.5 million from last year, an increase of 2.6%.

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- Operating loss decreased by \$20.1 million from FY03.
- The statement of cash flows indicates an increase in cash for the year of \$27.1 million.
- In FY04, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received no funding from the Clean Water Program but received \$28.6 million in the State Drinking Water Program. The Commonwealth provided a match of \$9.2 million for these federally funded programs. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.
- The Trust continues to maintain its ratings from all three major rating agencies on our bonds, thus allowing the Trust to continue to provide funds to communities at the lowest cost possible. The Trust's current ratings are:

<u>Ratings on Trust debt</u>	<u>Fitch IBCA</u>	<u>Moody's Investor's Service, Inc.</u>	<u>Standard & Poor's</u>
Pooled Loan Program	AAA	Aaa	AAA
MWRA Loan Program	AA+ – AAA	Aaa	
New Bedford Loan Program	AA – AAA	Aaa (insured) Aa3 (underlying)	
South Essex Sewerage District Loan Program	AA	Aaa	

Overview of Financial Statements

The financial section of this report consists of the following parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements.

The Trust's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government enterprise funds. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statements of net assets present information on the assets and liabilities of the Trust. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the strength or deterioration of the financial health of the Trust.

The statements of revenues, expenses, and changes in net assets report the operating revenues and expenses and the nonoperating revenues and expenses of the Trust for the fiscal year. The difference – increase or decrease in net assets – then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

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The statements of cash flows report activity of cash and cash equivalents during the fiscal year resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at the end of the fiscal year. This statement is prepared using the direct method of presentation which allows the reader to easily discern the amount of cash received from grantors, borrowers and financial institutions and how much cash was disbursed to borrowers, suppliers and bondholders.

Financial Analysis of the Trust

Net Assets

The Trust's net assets at June 30, 2005 were approximately \$1.4 billion, a 7.2% increase over the prior year (see Table A-1). Total assets increased 10.6% to \$4.3 billion, and total liabilities increased 12.3% to \$2.8 billion.

The Trust's net assets at June 30, 2004 were approximately \$1.3 billion, a 2.6% increase over the prior year (see Table A-1). Total assets increased 8.2% to \$3.8 billion, and total liabilities increased 11.4% to \$2.5 billion.

Table A-1
Massachusetts Water Pollution Abatement Trust's Net Assets
(In thousands)

	2005	2004	2003	Percentage change	
				2005-2004	2004-2003
Current assets	\$ 605,488	548,343	543,708	10%	1%
Loans receivable, long term	2,388,370	2,181,641	1,966,473	9	11
Other	1,259,311	1,117,289	1,044,981	13	7
Total assets	\$ 4,253,169	3,847,273	3,555,162	11	8
Current liabilities	\$ 196,426	172,987	157,806	14	10
Long-term debt	2,502,266	2,210,839	1,983,986	13	11
Other	119,105	124,180	108,568	(4)	14
Total liabilities	\$ 2,817,797	2,508,006	2,250,360	12	11
Net assets:					
Restricted	\$ 1,322,417	1,212,805	1,178,467	9	3
Unrestricted	112,955	126,462	126,335	(11)	0
Total net assets	\$ 1,435,372	1,339,267	1,304,802	7%	3%

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The Trust achieved higher interest income in FY05 and FY04 than was earned in FY04 and FY03, respectively. This was due to successful bids on the Guaranteed Investment Contracts necessary to support the Debt (Pool 9, Pool 8, and MWRA) transactions and by moving available, investible cash used to make interim loans from the Massachusetts Municipal Depository Trust (MMDT) into more lucrative tax-exempt, short-term instruments that had much higher yields. All of the Trust investment activities are subject to statutory allowable investments.

Long-Term Debt

The Trust incurs debt in order to fund communities' construction projects under the Clean Water and Drinking Water programs. This debt is offset by the loans receivable carried on the Trust's Statements of Net Assets as the debt service requirements of this debt are secured by loan repayments by the borrowers and investment and Commonwealth subsidies.

In FY05, the Trust's debt position increased by \$303.8 million to \$2.6 billion. This increase is the net change in debt due to the issuance of the Pooled Loan Program, Series 10 issue of \$317.2 million and the retirement of \$99.2 million of outstanding principal through regular payments to bondholders. The Trust also issued \$645.6 million in additional bonds to advance refund \$592 million of previously issued debt to take advantage of the current low interest rate environment. This refunding will net the Trust \$42.9 million (\$26.7 million net present value) in total annual savings over the next 25 years.

In FY04, the Trust's debt position increased by \$238.9 million to \$2.3 billion. This increase is the net change in debt due to the issuance of the Pooled Loan Program, Series 9 issue of \$311.6 million and the retirement of \$87.2 million of outstanding principal through regular payments to bondholders.

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Table A-2
Changes in the Massachusetts Water Pollution Abatement Trust's Net Assets
(In thousands)

	June 30,			Percentage change	
	2005	2004	2003	2005-2004	2004-2003
Operating revenues:					
Interest income	\$ 170,646	135,715	124,223	26%	9%
Other	3,603	2,040	3,219	77	(37)
Total operating revenues	174,249	137,755	127,442	26	8
Operating expenses:					
Interest expense	136,457	114,676	111,194	19	3
Grant disbursements	20,836	15,422	25,405	35	(39)
Program support	13,215	15,394	19,332	(14)	(20)
Other	2,888	3,466	2,790	(17)	24
Total operating expenses	173,396	148,958	158,721	16	(6)
Operating income (loss)	853	(11,203)	(31,279)	—	—
Nonoperating revenues:					
Operating grants	10,983	7,853	13,202	40	(41)
Capitalization grants	84,269	37,815	82,949	123	(54)
Total nonoperating income	95,252	45,668	96,151	109	(53)
Change in net assets	96,105	34,465	64,872	179	(47)
Total net assets, beginning of year	1,339,267	1,304,802	1,239,930	3	5
Total net assets, end of year	\$ 1,435,372	1,339,267	1,304,802	7%	3%

The increase in operating revenues from 2004 to 2005 by 26% is due primarily to a 26% increase in interest income, which resulted from the increased cash and investments generated through the issuance of the Pool 10 debt and realignment of investments due to market conditions. Nonoperating revenues increased by 109% due to the receipt of EPA Capitalization Grants and the timing of the receipt of said grants.

Operating expenses increased by 16% due to the increases in grant disbursements and interest expense.

The increase in operating revenues from 2003 to 2004 by 8% is due primarily to a 9% increase in interest income, which resulted from the increased cash and investments generated through the issuance of the Pool 9 debt and realignment of investments due to market conditions. This increase was offset by a 37% decrease in other income due to a decrease in Loan Administration fees as a result of principal balances being reduced while new fees from the Pool 9 issuance had not yet been implemented and a decrease in loan origination fees generated from Interim Loans because the Pool 9 issuance. Nonoperating revenues decreased by 53% due to a reduction in EPA capitalization grants and the timing of the receipt of those grants.

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Operating expenses decreased by 6% due to the decreases in grant disbursements and program support.

Loans Receivable

Subsidized financing has been an important incentive for many communities to undertake water and sewer infrastructure improvement projects. Since the enactment of Chapter 95 of the Acts of 1995, the Trust has been the Commonwealth's primary program to finance such improvements.

The Trust provides funding to communities through low-interest loan programs. The rate for Trust loans is set by statute at 2%, although projects approved prior to 2002 may qualify for a lower rate. The Trust's loan programs are very attractive to borrowers, and the Trust's loan portfolio continues to grow. Loan receivables increased from \$2.3 billion to \$2.5 billion, an increase of 9.5%, in FY05.

Future Economic Factors

In August 2002, the Commonwealth enacted Chapter 276 of the Acts of 2002. Sections 4 and 5 of the Act providing for \$46.5 million in matching capitalization funds for the Federal Clean and Drinking Water programs for the fiscal years of 2003 to 2007.

Requests for Information

This financial report is intended to provide an overview of the financial picture of the Massachusetts Water Pollution Abatement Trust for those with an interest in the agency. Any further questions regarding any of the information contained within this report may be directed to the Executive Director or the Treasurer at One Ashburton Place, 12th Floor, Boston, MA 02108.

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Statements of Net Assets

June 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 268,801	252,615
Short-term investments (note 3)	85,581	76,308
Grants receivable:		
U.S. Environmental Protection Agency	14,418	15,243
Commonwealth of Massachusetts	13,150	15,650
Loans receivable, current (note 5)	141,954	128,222
Accrued interest receivable	81,584	60,299
Loan servicing fees receivable	—	6
Total current assets	<u>605,488</u>	<u>548,343</u>
Noncurrent assets:		
Project fund investments (note 3)	117,418	122,785
Loans receivable, long-term (note 5)	2,388,370	2,181,641
Long-term investments (note 3)	1,134,813	990,053
Other assets	7,080	4,451
Total assets	<u>4,253,169</u>	<u>3,847,273</u>
Liabilities:		
Current liabilities:		
Accrued expenses	13	371
Accrued interest payable	54,842	48,810
Current portion:		
Loan commitments and project funds payable	29,916	24,546
Long-term debt (note 6)	111,655	99,260
Total current liabilities	<u>196,426</u>	<u>172,987</u>
Noncurrent liabilities:		
Loan commitments and project funds payable	117,418	122,785
Accrued interest on capital appreciation bonds	1,687	1,395
Long-term debt, net (note 6)	2,502,266	2,210,839
Total liabilities	<u>2,817,797</u>	<u>2,508,006</u>
Net assets:		
Restricted (note 7)	1,319,287	1,212,805
Restricted – contract assistance (note 7)	3,130	—
Unrestricted (note 7)	112,955	126,462
Commitments and contingencies (note 8)		
Total net assets	<u>\$ 1,435,372</u>	<u>1,339,267</u>

See accompanying notes to financial statements.

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POLLUTION ABATEMENT TRUST**
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Statements of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2005 and 2004
(In thousands)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Loan servicing fees	\$ 3,407	1,831
Loan origination fees	196	209
Interest income	<u>170,646</u>	<u>135,715</u>
Total operating revenues	<u>174,249</u>	<u>137,755</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	13,215	15,394
General and administrative	1,362	1,373
Arbitrage rebate payments	1,526	2,093
Grant disbursements	20,836	15,422
Interest expense	<u>136,457</u>	<u>114,676</u>
Total operating expenses	<u>173,396</u>	<u>148,958</u>
Operating (loss) income	<u>853</u>	<u>(11,203)</u>
Nonoperating revenue:		
Operating assistance:		
Commonwealth of Massachusetts	7,853	7,853
Contract assistance:		
Commonwealth of Massachusetts (note 7)	3,130	—
Capitalization grant revenue:		
U.S. Environmental Protection Agency capitalization grants	75,069	28,615
Commonwealth of Massachusetts matching grants	<u>9,200</u>	<u>9,200</u>
Total nonoperating revenue	<u>95,252</u>	<u>45,668</u>
Increase in net assets	96,105	34,465
Beginning of year net assets	<u>1,339,267</u>	<u>1,304,802</u>
End of year net assets	<u>\$ 1,435,372</u>	<u>1,339,267</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from borrowers	\$ 128,222	119,861
Interest received	145,823	126,737
Other cash received from customers	3,609	3,299
Loans and grants disbursed to recipients	(369,514)	(344,619)
Cash paid to suppliers	(19,090)	(18,763)
Interest paid	(128,172)	(109,506)
Net cash used for operating activities	<u>(239,122)</u>	<u>(222,991)</u>
Cash flows from capital and related financing activities:		
Proceeds from USEPA capitalization grants	75,894	89,935
Proceeds from Commonwealth matching capitalization grants	11,700	11,700
Net cash provided by capital and related financing activities	<u>87,594</u>	<u>101,635</u>
Cash flows from noncapital financing activities:		
Bonds proceeds	405,027	327,002
Repayment of bonds	(99,260)	(87,245)
Contract assistance	3,130	—
Operating assistance from Commonwealth of Massachusetts	7,853	7,853
Net cash provided by noncapital financing activities	<u>316,750</u>	<u>247,610</u>
Cash flows from investing activities:		
Purchases of investments	(469,486)	(666,901)
Proceeds from maturities of investments	320,450	567,751
Net cash used for noncapital financing activities	<u>(149,036)</u>	<u>(99,150)</u>
Net increase in cash and cash equivalents	16,186	27,104
Cash and cash equivalents, beginning of year	252,615	225,511
Cash and cash equivalents, end of year	\$ <u>268,801</u>	<u>252,615</u>
Reconciliation of operating income (loss) to net cash used for operating activities:		
Operating income (loss)	\$ 853	(11,203)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Amortization	(1,286)	(611)
Changes in operating assets and liabilities:		
Loans receivable	(220,461)	(223,529)
Accrued interest receivable	(21,285)	(7,492)
Loan servicing fees receivable	6	1,259
Other assets	(2,628)	86
Accrued expenses	(357)	11
Accrued interest payable	6,032	4,295
Loan commitments and grants payable	4	14,193
Net cash used for operating activities	\$ <u>(239,122)</u>	<u>(222,991)</u>

Noncash activity:

During 2005, the Trust issued \$645.6 million of bonds to advance refund \$592.9 million of outstanding bonds through an “in-substance” defeasance transaction.

See accompanying notes to financial statements.

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(1) Organization

The Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts (the Commonwealth), was created by Chapter 275 of the Acts of 1989 of the Commonwealth (the Act) to implement the State Revolving Fund (the SRF) Program for the Commonwealth, contemplated by Title VI of the Federal Clean Water Act (the CWA). The Trust is governed by a board of trustees consisting of the State Treasurer, the Secretary of the Executive Office for Administration and Finance, and the Commissioner of the Department of Environmental Protection (the DEP).

The financial and management activities of the Trust are administered by employees of the State Treasurer's office. The project oversight and direction is provided by the DEP. Certain financial oversight is provided by the Executive Office for Administration and Finance. The Trust commenced operations in June 1990. The long-term goals of the Trust include creating and implementing an SRF program that provides a source of financing for water pollution abatement projects (the projects). Construction of projects on the National Municipal Policy List, the cleanup of Boston Harbor, and the correction of combined sewer overflows (CSO) are prime focuses for the federal SRF Program.

The Trust is authorized by the Act to borrow money through the issuance of revenue bonds and to apply the proceeds thereon, together with federal and state capitalization grants and other funds made available to the Trust, to make loans to local governmental units to finance the costs of eligible water pollution abatement projects (the Leveraged Loan Program).

During fiscal 1993, the legislature enacted an amendment to the Act. This law, Chapter 203 of the Acts of 1992 (Chapter 203), states that all eligible loans made by the Trust can have subsidies that accomplish a grant equivalency of 25%. This amendment further directs that certain projects on the DEP's Intended Use Plan prior to 1992 should receive higher subsidy levels.

Chapter 203 also reduces the total authorization for Commonwealth general obligation bonds for the Trust from \$1.3 billion to \$122 million. State matching funds for the federal SRF and reserve funds for the Commonwealth SRF continue to be funded through a general obligation bond source. However, all subsidy contributions now come from a Commonwealth Contract Assistance Agreement that is provided through the Commonwealth's annual operating budget and cannot exceed \$26 million in any one fiscal year. This has the net effect of reducing authorized Commonwealth debt while still ensuring funding for a perpetual state revolving fund.

During fiscal 1994, the Trust established an Interim Loan Program and a Small Direct Loan Program for local government units' borrowing needs. The Interim Loan Program provides temporary short-term financing to local government units that are to be subsequently refinanced through permanent leveraged loans. The Small Direct Loan Program finances single small projects where leveraged loans would not be financially feasible for the local government units.

During fiscal 1996, the Commonwealth approved an amendment to Chapter 29C of the General Laws to provide a subsidy or other assistance equivalent to a grant of 50% of the eligible costs of the project

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financed by the loan. The amendment is applicable for all loans issued after October 1, 1995. This amendment provides additional subsidy levels of up to \$8 million annually.

Amendments to the federal Safe Drinking Water Act adopted in 1996 provide for the establishment of additional state revolving fund programs to provide financial assistance to various community water systems (including for-profit companies) and not-for-profit noncommunity water systems for expenditures that will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Safe Drinking Water Act. The Safe Drinking Water Act and draft regulations and other guidance issued by the United States Environmental Protection Agency contemplate that state revolving fund programs established in accordance with the Safe Drinking Water Act will operate under terms and conditions substantially similar to programs developed under the federal Clean Water Act. In addition, the amendments to the Safe Drinking Water Act provide Authority for the consolidation of a Safe Drinking Water Act revolving fund with a Clean Water Act revolving fund for purposes of investment and the issuance of, and security for, bonds.

During fiscal 1998, the Trust created a new fund to account for the receipts and disbursements in conjunction with the Commonwealth's Title V regulations. The Community Septic Management Program Fund is the recipient of amounts bonded for in the Third Pooled Loan Program Financing on April 29, 1997 and the Fourth Pooled Loan Program Financing on December 9, 1998. It also is used for pass-through assistance payments from the Commonwealth to communities to fund administrative costs in setting up loan programs to homeowners at the community level.

The Enabling Act was amended by the Massachusetts legislature on April 2, 1998 to authorize the Trust to establish a revolving fund program under the Safe Drinking Water Act.

In fiscal year 2000, the State legislature passed new legislation which changed the level of subsidies on Trust loans from the 50% grant equivalency level to a flat 2% interest rate to be charged on loans for new projects appearing on the calendar year 2002 intended use plan, going forward. This was in order to mitigate increases in contract assistance commitments by the Commonwealth, while the Trust could increase its leveraging ratio from 2:1 to 3:1, increasing funding capacity by 50%.

(2) Summary of Significant Accounting Policies

The accounting policies of the Trust conform to generally accepted accounting principles as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

(a) Basis of Presentation

The Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's requirements for an enterprise fund. Operating revenues and expenses are generated through the issuance of loans to local government units within the Commonwealth. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund*

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Accounting, the Trust has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

(b) Cash and Cash Equivalents

The Trust's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

(c) Investments

Investments are carried at fair value. Where applicable, fair values are based upon quotations from national security exchanges.

Under the Massachusetts Water Pollution Abatement Trust Program Resolutions (the Resolutions), as amended and supplemented at various bond sale dates, the Trust must maintain certain investment funds in the Federal SRF Loan Program and Commonwealth SRF Loan Program with State Street Bank & Trust Company (the Trustee). The types of funds held by the Trustee are in the following accounts:

Equity Accounts – The Equity Fund consists of cash and cash equivalents which are currently held at the Massachusetts Municipal Depository Trust (MMDT). The Equity Fund is comprised of both a federal program account and a Commonwealth program account and can be used for programmatic costs and operating expenses within the Federal SRF Loan Program or Commonwealth SRF Loan Program, as applicable. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the Federal SRF Loan Program; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the Federal SRF Loan Program or Commonwealth SRF Loan Program; (4) direct loan repayment; (5) interest earnings on investment or deposits of amounts held in the Equity Fund; and (6) amounts transferred from the Debt Service Reserve Fund as a result of loan repayments in accordance with the provisions specified in the Resolutions.

Interim Loan Accounts – The Interim Loan Fund has been established to fund temporary loans in anticipation of permanent leveraged borrowings. The source of funds is the Equity Fund.

Project Accounts – The Project Funds disburse bond proceeds to borrowers as needed. These funds are restricted by the bond resolutions and are to be applied solely to the payment or refinancing of costs associated with the applicable project. When all costs have been paid, any amounts remaining unexpended in the Project Funds can be applied to the repayment of the applicable loan service to bondholders. The monies are derived from semiannual loan repayments, which include payments from borrowers, interest earnings on the Debt Service Reserve Funds, and Commonwealth contract assistance payments.

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Debt Service Reserve Accounts – Debt Service Reserve Funds consist of reserve requirements equal to 50% of the principal amount outstanding on Clean Water bonds and 40% on Drinking Water bonds. For bonds issued to finance loans authorized by the 2002 and subsequent “Intended Use Plans”, the debt service reserve fund requirement drops to 33.33% of the outstanding principal. In accordance with each bond resolution, amounts are transferred from the Equity Fund to the particular Debt Service Reserve Funds. Interest earnings on the Debt Service Reserve Funds are transferred to their corresponding Revenue Fund and used for debt service payments.

Debt Service Accounts – Debt Service Funds are used as a pass-through of principal and interest from the Revenue Funds to the bondholders. The Debt Service Funds are also used to hold accrued interest on the bonds to be applied to pay a portion of the interest due on the bonds.

(d) Capital Assets

The Trust’s capital asset capitalization policy conforms with the Commonwealth’s threshold of \$15,000. As of June 30, 2005 and 2004, the Trust did not have any capital assets.

(e) Loan Origination Fees and Costs of Issuance

Fees received and certain direct costs incurred, relating to the origination of loans, have been deferred and are included with loans receivable in the accompanying balance sheets. Loan origination fees and costs are amortized over the life of the loans to which the fees and costs relate using the level-yield method. Origination fees charged to leveraged borrowers are capped at the estimated costs of leveraged transactions as proposed in the Trust’s administrative budget and allocated to all borrowers, excluding the Title V program.

(f) Risk Financing

The Trust is not insured for casualty, theft, tort claims, or other losses. No amounts have been accrued for such losses as they are not considered material. As discussed in note 1, all financial, management and project oversight activities are provided by employees of the State Treasurer’s Office, DEP, and the Executive Office for Administration and Finance. These employees are covered under the Commonwealth’s workers’ compensation and group insurance programs. The cost of these programs is allocated to the Trust, through the fringe benefit allocation. As described in note 4, the Trust is allowed to expend up to 4% of the federal capitalization grant on program administration costs; therefore, any costs in excess of this amount will be borne by the Commonwealth. As a result, no liability for workers’ compensation or group insurance has been recorded by the Trust.

(g) Capitalization Grants

Funding from federal capitalization grants and state matching grants are recorded as nonoperating revenues.

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(h) Other Assets

Other assets consist of the unamortized portion of bond issue costs, which are amortized using the straight-line method over the life of the bonds, and deferred charges, which are “unreclassified” state appropriations for matching funds that are allocated to administrative costs.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Deposits and Investments

Effective July 1, 2004, the Trust implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”. Cash, cash equivalents, and investments are separately held by several of the Trust’s funds.

(a) Cash and Cash Equivalents

The Trust’s cash and cash equivalents consists of bond proceeds received and not yet lent as well as project funds that have not yet been disbursed. All but a small portion of these amounts are held by trustees and disbursed in accordance with executed loan agreements. A small portion of the cash and cash equivalents are held to pay the administrative costs of the Trust.

Cash and cash equivalents are comprised of bank deposits as well as investments in the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the State Treasurer for cities, towns, and other state and local agencies. For purposes of risk categorization, MMDT shares are not categorized. The fair value of the Trust’s position in MMDT is the same as the value of MMDT shares.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust’s deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk.

At the end of the year, carrying amounts of the Trust’s deposits were \$1,035,000 and \$3,110,000, which equaled the bank balances, at June 30, 2005 and 2004, respectively. As of June 30, 2005 and 2004, \$100,000 and \$400,000, respectively, of the Trust’s deposits was covered by depository insurance and the remainder was exposed to custodial credit risk as uninsured and uncollateralized.

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(b) Investments

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Trust will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Trust does not have an investment policy for custodial credit risk.

The Trust primarily invests in guaranteed investment contracts (GICs), which under accounting principles generally accepted in the United States, are not subject to custodial credit disclosure because they are direct contractual investments and are not securities.

Credit Risk. The Trust has not adopted a formal policy related to credit risk. Although GICs are typically not rated, the GIC issuers are all rated AAA or AA. All GIC issuers that are rated lower than AAA are fully collateralized at 105% with U.S. Treasury securities or government-backed agency notes. MMDT is not rated.

The fair value and maturities of the Trust's investment are presented below (in thousands):

Investment type	2004 Fair value	2005 Fair value	Investment maturities (in years)			
			Less than 1	1 to 5	6 to 10	More than 10
Debt securities:						
Guaranteed investment contracts \$	1,043,254	1,337,812	85,581	394,178	324,968	533,085
Cash equivalent:						
Massachusetts Municipal Depository Trust (MMDT)	395,397	267,765				
Total investments	\$ 1,438,651	1,605,577				

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Trust places no limit on the amount that may be invested in any one issuer. More than 5% of the Trust's total investments are with the following issuers:

Issuer:	Percent of total investments
FSA Capital Management Services, LLC	22%
IXIS Funding Corp.	22
Societe Generale	6
Trinity Funding Company, LLC	18

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Interest Rate Risk. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

(4) Capitalization Grants

The operating agreements for the federal capitalization grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant. Federal grant payments are received by the Trust in the form of an automated clearing house account. For financial statement purposes, federal capitalization grants and the 20% state matching grants has been recognized in the Federally Capitalized SRF for the amount of executed loan agreements and binding commitments.

The Federal Safe Drinking Water Program and the Federally Capitalized Community Hardship Loan Program have different allocation percentages. For the Federal Safe Drinking Water Program, each grant year has a different allocation based on the amount of federal set-asides used. An additional 20%, or \$5.9 million was matched from required state matching funds, already on hand at the Trust. All draws for project costs and for reserve funding must maintain this proportionality under the Federal Safe Drinking Water Act. For the 2005 and 2004 grant years, the proportionality is determined as follows (in thousands):

Clean water program	Grant year	
	2005	2004
Federal capitalization	\$ 45,385	—
State match on federal funds (20%)	18,277	9,200
Total capitalization	63,662	9,200
Less federally mandated “set-asides”	(1,815)	—
Project capitalization	\$ 61,847	9,200
Federal proportionality	80%	80%
State proportionality	20	20

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Drinking water program	Grant year	
	2005	2004
Federal capitalization	\$ 29,684	28,615
State match on federal funds (20%)	11,937	5,937
Total capitalization	41,621	34,552
Less federally mandated "set-asides"	(5,103)	(5,938)
Project capitalization	\$ 36,518	28,614
Federal proportionality	80%	80%
State proportionality	20	20

The Clean Water State Revolving Fund Loan Program is unchanged from previous years. The total federal award and the state matching funds of 20% are reduced by 4% for an administrative allowance. The total amount available for financing is net of this allowance.

(5) Loans Receivable and Bonds Purchased

The Trust issued a total of 79 and 83 loan or bond purchase agreements during fiscal 2005 and 2004, respectively. An additional 41 and 21 loans were disbursements under the Community Septic Management Program Fund in 2005 and 2004. Pursuant to agreements with the EPA, bond purchase agreements are used for communities involved in extended financing. In 2004, 8 of the 83 agreements issued and 11 of the 79 agreements issued in 2005 were issued as 30-year bond purchase agreements to the towns of Marion and Newbury, the cities of Fall River, Haverhill, and Newburyport, the MWRA, the Upper Blackstone Water Pollution Abatement District, and the Lynn Water and Sewer Commission for a total of \$237.6 million.

A summary of these receivables as of June 30, 2005 and 2004 is as follows (amounts in thousands):

	2005	2004
Leveraged loans or bonds purchased	\$ 2,496,802	2,281,286
Direct loans	89	119
Interim loans	33,433	28,458
	2,530,324	2,309,863
Current portion	141,954	128,222
Long-term portion	\$ 2,388,370	2,181,641

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Aggregate principal maturities on loans receivable or bonds purchased are as follows (amounts in thousands):

2006	\$	108,508
2007		113,845
2008		116,595
2009		119,675
2010		122,430
Thereafter		<u>1,915,749</u>
	\$	<u><u>2,496,802</u></u>

Interim loans of \$33,433,000, and direct loans of \$19,000 also mature in 2006.

Subsidy payments to be applied to repayments from borrowers include interest earnings provided by Debt Service Reserve Funds and contract assistance provided to the Trust by the Commonwealth. Both of these subsidies are expected to be available for the lives of the financing agreements. For the leveraged bond purchase program, pursuant to an agreement with the Commonwealth, subsidies are drawn in an amount as if the financing was for a twenty-year period. The amount that is not currently needed is invested at the applicable bond yield until funds are needed for subsidies beyond year 20, similar to an annuity. If subsidy funds are not available, the obligation of the borrower is increased by such shortfall.

The agreement requires the borrower to pay the Trust an annual or semiannual servicing fee equal to 0.15% or 0.075%, respectively, of the principal obligation outstanding on the applicable date. As of June 30, 2005, all borrowers have opted for the semiannual payment schedule. None of these fees are capitalized as part of a borrower's obligation to the Trust.

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(6) Bonds Payable

The following is a summary of bonds payable at June 30, 2005 and 2004 (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Water Pollution Abatement					
Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 7,840	—	1,275	6,565	1,190
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	6,230	—	800	5,430	770
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	7,460	—	880	6,580	860
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	14,300	—	1,330	12,970	1,305
Series 2002A, 3.0% to 5.25%, issued October 15, 2002, due 2003 to 2032	121,695	—	30,145	91,550	3,270
South Essex Sewage District					
Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	8,460	—	1,120	7,340	1,075
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	9,420	—	1,055	8,365	1,005
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	13,690	—	1,705	11,985	1,645
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	29,345	—	4,075	25,270	3,420
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	13,095	—	3,415	9,680	2,335
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	40,440	—	7,130	33,310	6,845

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Pool Loan Program (continued):					
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	\$ 122,050	—	71,250	50,800	7,620
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	230,635	—	136,335	94,300	11,340
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	303,730	—	168,440	135,290	13,890
Series 7, 3.0% to 5.25% issued July 15, 2001, due 2001 to 2021	299,930	—	69,625	230,305	11,625
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	257,800	—	114,345	143,455	9,925
Series 9, 2.0% to 5.0%, issued October 10, 2003, due 2004 to 2033	311,580	—	10,315	301,265	10,440
Series 10, 2.5% to 5.25%, issued August 25, 2004, due 2005 to 2028	—	317,175	—	317,175	10,145
Subordinated Revenue					
Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	113,260	—	2,585	110,675	2,755
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	368,435	—	66,350	302,085	9,235
Pool Program Refunding:					
Series A and B, 2.0% to 5.25%, issued August 25, 2004, due 2005 to 2028	—	645,620	—	645,620	960
Subtotal	2,279,395	962,795	692,175	2,550,015	111,655
Less unamortized amounts:					
Bond premium	37,792	87,852	10,784	114,860	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	(7,088)	(45,827)	(1,961)	(50,954)	—
Total bonds payable	\$ 2,310,099	1,004,820	700,998	2,613,921	111,655

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The following is a summary of bonds payable at June 30, 2004 and 2003 (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Water Pollution Abatement					
Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 9,190	—	1,350	7,840	1,275
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	7,060	—	830	6,230	800
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	8,355	—	895	7,460	880
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	15,655	—	1,355	14,300	1,330
Series 2002A, 3.0% to 5.25%, issued October 15, 2002, due 2003 to 2032	124,800	—	3,105	121,695	3,165
South Essex Sewage District					
Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	9,615	—	1,155	8,460	1,120
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	10,515	—	1,095	9,420	1,055
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	15,450	—	1,760	13,690	1,705
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	33,795	—	4,450	29,345	4,075

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Pool Loan Program (continued):					
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	\$ 16,345	—	3,250	13,095	3,415
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	47,410	—	6,970	40,440	7,130
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	129,405	—	7,355	122,050	7,485
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	241,505	—	10,870	230,635	11,095
Series 6, 4.5% to 5.66%, issued November 6, 2000, due 2001 to 2030	316,995	—	13,265	303,730	13,590
Series 7, 3.0% to 5.25%, issued July 15, 2001, due 2001 to 2021	309,835	—	9,905	299,930	10,295
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	266,885	—	9,085	257,800	9,300
Series 9, 2.0% to 5.0%, issued October 10, 2003, due 2004 to 2033	—	311,580	—	311,580	10,315
Subordinated Revenue Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	115,675	—	2,415	113,260	2,585
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	376,570	—	8,135	368,435	8,645
Subtotal	2,055,060	311,580	87,245	2,279,395	99,260
Less unamortized amounts:					
Bond premium	23,856	15,422	1,486	37,792	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	(7,685)	—	(597)	(7,088)	—
Total bonds payable	\$ <u>2,071,231</u>	<u>327,002</u>	<u>88,134</u>	<u>2,310,099</u>	<u>99,260</u>

All bonds are payable from amounts pledged pursuant to the Water Pollution Abatement Project Bond Resolutions, which include payments by the local governmental units of principal and interest on the loans

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and amounts on deposit in the Debt Service Reserve Funds. Pursuant to the Commonwealth Assistance Contract (the Contract), the Commonwealth has agreed to provide Contract Assistance payments to the Trust to reduce the payments by local governmental units. The Contract is not pledged as security for the bonds; however, the Contract Assistance payments, when received by the Trust, are pledged as security for the bonds.

In November 2003, the Trust issued \$311.6 million of Pool Program Bonds, Series 9 to fund loans for borrowers undertaking various approved water pollution abatement and drinking water projects in Massachusetts.

In August 2004, the Trust issued \$645.6 million in refunding bonds (at a true interest cost of 4.03%) as a partial advanced refunding of several previous Trust bond issues. The issues that were partially refunded were: Pool Program Series 4, 5, 6, 7, and 8 and MWRA Loan Program Series 1999A and 2002A. The total debt defeased through this new issue was \$592.9 million, for a savings of \$42.9 million, resulting in an economic gain (net present value) of \$26.7 million.

All issuance costs of the transaction were paid from bond proceeds, and the required debt service reserves were invested in Guaranteed Investment Contracts (GICs). The remaining proceeds were deposited with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$45.8 million, which is being netted against the new debt issued.

In November of 2004, the Trust issued \$317.2 million in new bonds with its Pool Program Series 10. These monies were used to finance water pollution abatement and drinking water projects in 55 communities and special districts.

Scheduled future debt service payments are as follows (amounts in thousands):

	Total debt service	Principal	Interest
Year ending June 30:			
2006	\$ 237,590	111,655	125,935
2007	239,647	114,825	124,822
2008	233,236	117,595	115,641
2009	230,930	120,705	110,225
2010	228,728	124,185	104,543
2011-2015	1,087,494	652,905	434,589
2016-2020	882,143	620,680	261,463
2021-2025	536,091	416,070	120,021
2026-2030	232,046	186,705	45,341
2031-2035	93,239	84,690	8,549
	<u>\$ 4,001,144</u>	<u>2,550,015</u>	<u>1,451,129</u>

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The balances of bonds defeased “in-substance” in prior years and still outstanding as of June 30 are as follows (amounts in thousands):

Description	Redemption date	Outstanding principal amount	
		2005	2004
MWRA Loan Program:			
Series 1993A	November 3, 1999 \$	66,905	73,415
Series 1993B	November 3, 1999	46,295	49,375
Series 1995A	November 3, 1999	50,055	52,845
Series 1998A	November 3, 1999	86,610	89,720
Series 1999A	August 25, 2004	57,705	—
Series 2002A	August 25, 2004	26,980	—
New Bedford Loan Program:			
Series 1996A	December 23, 1998	83,435	88,910
South Essex Sewage District Loan Program:			
Series 1996A	July 15, 2001	48,035	50,875
Pool Loan Program:			
Pool 2	July 15, 2001	—	20,720
Pool 3	July 15, 2001	51,965	51,695
Pool 4	August 25, 2004	63,765	—
Pool 5	August 25, 2004	125,240	—
Pool 6	August 25, 2004	154,850	—
Pool 7	August 25, 2004	59,330	—
Pool 8	August 25, 2004	105,045	—

(7) Net Assets

As of June 30, 2005 and 2004, the Trust has restricted net assets in the amount of \$1,322,417,000 and \$1,212,805,000, respectively, and unrestricted net assets in the amount of \$112,955,000 and \$126,462,000, respectively. Restricted net assets represent capitalization grants received cumulative to date from the U.S. Environmental Protection Agency and corresponding matching amounts received from the Commonwealth of Massachusetts. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1. During 2005, certain reclassifications were made to prior year restricted and unrestricted balances to conform to the current year presentation.

In 2005, the Trust received \$3.1 million of contract assistance from the Commonwealth that, because of a bond refunding, was not needed to repay bond principal or interest due in fiscal 2005. These funds have been placed in a separate bank account and require the Commonwealth’s approval prior to use of the funds.

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(8) Commitments

As of June 30, 2005 and 2004, the Trust has agreed to provide loans to various local government units amounting to approximately \$35.4 million and \$28 million, respectively, excluding loans to be disbursed, which will be funded or collateralized with grant awards received by the Trust.

(9) Subsequent Events

On October 18, 2005, the Trust issued \$293,760,000 of Massachusetts Water Pollution Abatement Trust Pool Program Bonds, Series 11. These bonds were issued to fund 92 loans in the Clean Water, Safe Drinking Water, and Community Septic Management Program (Title 5) programs.